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Message Text

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PAGE 01 AMMAN 04741 161554Z
ACTION NEA-10

INFO OCT-01 ISO-00 SSM-03 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 AGRE-00 H-01 DODE-00 PA-01 PRS-01
/084 W
----------054081 161807Z /46
R 161435Z AUG 77
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 2822
INFO AMEMBASSY DAMASCUS
AMCONSUL JERUSALEM

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E.O. 11652: N/A
TAGS: ECON, JO
SUBJECT: BUSINESS SLOWDOWN PERSISTS

REF: AMMAN A-11

1. SUMMARY - REFAIR REPORTED LOCAL BUSINESS SLOWDOWN FOLLOWING BOOM PERIOD THAT ENDED IN THIRD QUARTER OF 1976, AT WHICH TIME LAND SPECULATION CEASED, LUXURY HOUSING CAME INTO OVERSUPPLY, AND CONSUMER DEMAND SLACKENED. BUSINESS ACTIVITY REMAINS SLOW, BUT GENERALLY BUSINESSMEN ARE STILL CONFIDENT THAT JORDAN IS RESUMING HEALTHY RATE OF ECONOMIC GROWTH AS ECONOMY CORRECTS FROM OVERHEATING OF LAST YEAR. END SUMMARY.

2. LOCAL PREDICTIONS LAST FALL THAT THERE WOULD BE "THOUSANDS" OF UNOCCUPIED RESIDENTIAL UNITS BY MIDDLE OF 1977 SEEM TO HAVE BEEN BORNE OUT. SEMI-OFFICIAL SOURCE HAS INDICATED THAT THERE ARE NOW SOME 4,000 FLATS AND SINGLE-FAMILY RESIDENCES UNOCCUPIED IN AMMAN. CONSE-
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PAGE 02 AMMAN 04741 161554Z

QUENTLY RENTAL PRICES HAVE COME DOWN 20-30 PERCENT SINCE THEIR PEAK AT THIS TIME LAST YEAR, AND BUILDING PERMITS THROUGH JUNE, 1977 ARE LESS THAN 80 PERCENT OF THEIR VOLUME OF LAST YEAR FOR SAME PERIOD. EXPECTATION THAT JORDANIANS AND OTHER ARABS VISITING JORDAN FROM GULF THIS SUMMER WOULD REINVIGORATE HOUSING MARKET HAVE NOT MATERIALIZED, AND CONTINUING DROP IN RENTAL PRICES IS NOW

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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EXPECTED. EXCESS SUPPLY OF HOUSING IS STILL CONCENTRATED IN UPPER MIDDLE CLASS AND LUXURY HOUSING, HOWEVER, WITH SHORTAGES REMAINING IN HOUSING FOR LOWER ECONOMIC CLASSES. TWO PERCENT INCREASE IN LAND TRANSFER TAX (RAISING TOTAL TO 10 PERCENT) IMPOSED LAST JULY HAS BEEN REMOVED IN MODEST HOPE OF STIMULATING REAL ESTATE ACTIVITY, BUT MARKET HAS NOT RESPONDED.

3. REFLECTING OVERSTOCKING OF IMPORTS AND WEAKENED CONSUMER DEMAND, IMPORT LICENSES FOR FIRST HALF OF 1977 HAVE FALLEN TO 83 PERCENT OF AMOUNT FOR FIRST HALF OF 1976.

4. REPORTS OF BANKRUPTCIES HAVE INCREASED; AT LEAST ONE OF JORDAN'S SMALLER COMMERCIAL BANKS HAS SUFFERED SERIOUS LIQUIDITY PROBLEMS; AND A NUMBER OF COMMERICAL BANK EMPLOYEES HAVE LOST THEIR JOBS BECAUSE OF THEIR CONTRIBUTION TO LOAN PORTFOLIOS UNBALANCED TOWARDS LAND AND HOUSING. NONETHELESS, JORDAN'S BUSINESS COMMUNITY BY AND LARGE REMAINS CONFIDENT THAT CURRENT PERIOD IS HEALTHY ADJUSTMENT FROM OVERHEATED ECONOMY OF PREVIOUS YEAR. BANKRUPTCIES, THEY SAY, HAVE ONLY VISITED SHAKY COMPANIES THAT WOULD HAVE FOLDED LONG AGO HAD NOT PREVIOUS BOOM MADE IT VIRTUALLY IMPOSSIBLE TO AVOID MAKING MONEY. THERE IS SIMILAR CONFI-DENCE THAT CENTRAL BANK OF JORDAN IS PROVIDING DISCIPLINE TO BRING WAYWARD COMMERCIAL BANKS BACK INTO LINE AND THAT CENTRAL BANK WILL PREVENT ANY COMMERICAL BANK FAILURES.
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AT SAME TIME WORKER REMITTANCES FROM ABROAD CONTINUE TO INCREASE (TO RECORD OF $63 MILLION IN FIRST QUARTER OF 1977, ACCORDING TO CENTRAL BANK), AND GOJ EXPENDITURES FOR FIRST QUARTER ARE ALSO RECORD (AT $193 MILLION) THUS TAKING UP SOME SLACK IN OTHER AREAS OF ECONOMIC ACTIVITY.
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22 May 2009
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